

26 April 2024

## Global Economics & Market Strategy

### Keep Outperform on IndoGBs

- ◆ We keep our Outperform on IndoGBs on a regional perspective as Tuesday's surprise hike by Bank Indonesia (BI) will likely be the last in 2024. We think the recent rise in yields offers good entry point while the high coupons offer buffer against negative price returns should yields trend higher. BI cited the need to tweak rates for IDR stability and we note the muted market reaction to the hike, our economists see downside risks to their GDP growth of 5.0% in 2024, which could tip the central bank towards a dovish stance later in the year, [Read here](#).
- ◆ **Malaysia: Inflation Momentum to Edge Higher in Coming Months.** March CPI inflation sustained at 1.8% YoY compared to a similar reading in the previous month versus Bloomberg consensus estimate of 2.0% YoY and our house projection of 1.9% YoY.
- ◆ **US Treasuries (UST):** Treasuries sold off as inflation shows a clear sign of accelerating and Federal Reserve Bank of Chicago President Goolsbee said the central bank need to "recalibrate" after a string of higher-than-expected inflation data. The 1Q24 quarterly core PCE spiked despite a disappointing 1Q GDP. PCE for 1Q24 jumped by 3.7%, higher than Bloomberg consensus of 3.4% and 4Q23 reading of 2.0%. Meanwhile, 1Q GDP printed 1.6%, disappointing consensus of a 2.5% forecast and a notable slowdown from 3.4% previously. The 2YR/10YR/30YR UST yields moved by +7.1bps/+6.2bps/+4.1bps, respectively.
- ◆ **Malaysia Bond: Malaysian Corporate Bonds** volume normalised to MYR933mn, compared to the previous day of MYR2,014mn. The top traded bond was **Danainfra 4.95% 4/40** with MYR100mn traded. **Government Bond Index** returns was -0.12% with a trading volume of MYR3,024mn, lower compared to MYR2,667mn previously. The top traded bond was **GII 3.598% 9/26** with MYR620mn traded.
- ◆ **Key Events – Friday:** Japan policy rate and Apr CPI, Singapore Mar IP, US Mar PCE

#### Global Economics & Market Strategy

Chris Tan Chee Hong

+603 92808864

[tan.chee.hong@rhbggroup.com](mailto:tan.chee.hong@rhbggroup.com)

RHB FIC Strategy

+603 92808858

[rhbficstrategy@rhbggroup.com](mailto:rhbficstrategy@rhbggroup.com)

#### Fixed Income Return Snapshot

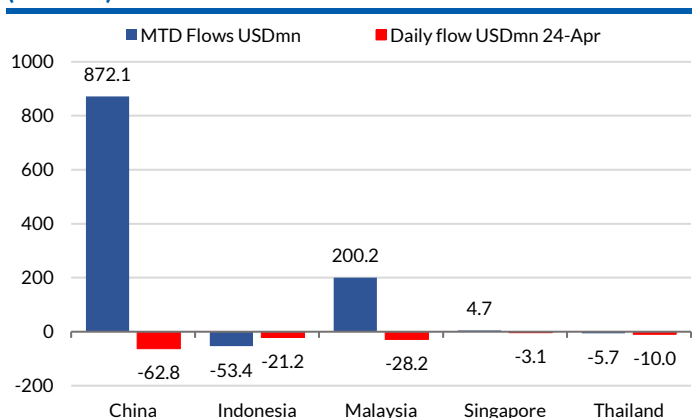
	1D Δ (%)	7D Δ (%)	1M Δ (%)
MGS 10YR	-0.13	-0.24	-1.09
MYR Govt Bond	-0.12	-0.11	-0.49
US Treasuries	-0.29	-0.25	-2.21
Global Bond	-0.20	-0.23	-2.34
AxJ IG Bond	-0.22	-0.21	-1.55

#### 10-Year Yields (%)

	25-Apr	1D bps Δ	7D bps Δ
China	2.261	-1.1	0.8
Indonesia	7.075	2.9	14.1
Japan	0.894	0.9	3.0
Malaysia	3.986	2.6	2.6
Singapore	3.414	1.4	4.1
Thailand	2.767	1.7	3.3
US	4.705	6.2	7.1
MYR AAA	4.143	0.0	3.0
MYR AA	4.334	0.0	2.1
MYR A	5.836	0.0	1.4

Source: Bloomberg, RHB Economics & Market Strategy.

Figure 1: MTD/Daily Fund Flows to Regional Bonds (USDmn)



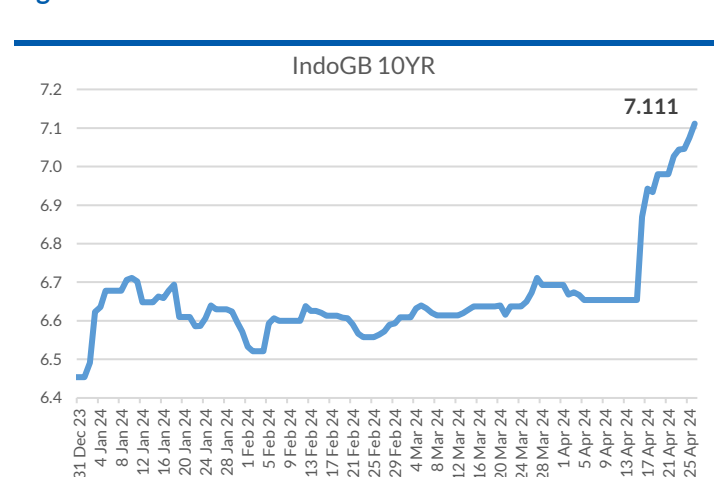
Source: EPFR, RHB Economics & Market Strategy.

The data tracks a defined universe of local and foreign fund managers.

See important disclosures at the end of this report

Market Dateline / PP 19489/05/2019 (035080)

Figure 2: IndoGB 10YR



Source: Bloomberg, RHB Economics & Market Strategy.

26 April 2024

## Corporate Bond Idea

- ◆ **We are Outperform Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (Kesturi) senior sukuk given the mature brownfield concession and the 24bps to 25bps pickup over AA3 benchmarks.** The inter-city highway concession operator saw strong traffic growth in FY 6/23, recording an average annual daily traffic (AADT) of 223.1k vehicles, a 33.5% YoY improvement and 15.6% higher than pre-pandemic levels in FY 6/19. In 1H FY24, AADT further improved to 235.6k, which is 6.1% above MARC Ratings base case. The growing number of vehicles (record vehicle sales in 2023) and increased traffic congestion during peak hours have benefitted toll ways linking densely populated and well-established areas in the Klang valley and Kuala Lumpur.

The remaining 35 years of its concession agreement ending in August 2059 should ensure even the longest maturing sukuk at 2033 have sufficient repayment capacity. The MYR1.89bn of outstanding sukuk offers relatively better supply and liquidity to investors. The highway's coverage metrics are expected to perform strong even under stressed scenario which assumes no toll rate increases and a one-year delay in compensation payment from the government, under these scenarios, the minimum finance service coverage ratio is projected at 1.79x, with an average of 3.80x from FY24 to FY34, according to MARC Ratings.

- ◆ **MYR Bond: (18/4/24) We are Outperform Malaysia Airports Holdings Bhd (MAHB, AAA) Perpetual 5.75% 12/24 as the YTM of 4.48% is attractive for a 8 months tenure, a good yield booster money market funds.** Meanwhile the senior sukuk are Market perform as we deem yields are at fair value. MAHB is the operator of 39 airports in Malaysia, its shares are closely held by institutions, pension funds and GLCs.

Malaysian Aviation Commission expects passenger traffic to recover to pre-pandemic levels as they project 93.9-107.1m passengers in 2024. So far, February YTD traffic grew significantly by 21.4% to 15.3m from 12.6m a year ago. Consensus expects revenue to grow further by 26% to MYR6.2bn by FY25, while adjusted net income to grow by 137% to MYR920mn. For FY23, revenue improved by 57% YoY to MYR4.9bn from MYR3.1bn in FY22, contributed by growth across all segments particularly aeronautical and non-aeronautical, while net income grew 274% to MYR486mn from MYR130mn. As a result, FY23 credit quality showed YoY improvements across all metrics with the net D/E ratio falling from 0.41 to 0.30, and CFO/Interest expense strengthening from 4.0 to 7.4.

- ◆ The complete list of our bond coverage can be found [here](#).

## MGS/GII Idea

- ◆ Our expectations of an unchanged OPR of 3.00% in 2024 with a sticky US inflations means the 10YR MGS should trade at a slightly higher bound above the recent averages at around 3.75% to 3.90% this year.
- ◆ Read our 2024 2Q Outlook here: [RHB Global Risk Sentiment Index - We Remain Optimistic on Global Growth](#).

MYR Yields vs RHB Year-end Forecast

	Last Yield %	Forecast		Yield Changes (bps)				
		2024F	Pickup	1D	1W	1M	3M	YTD
MGS 3YR	3.608	3.30	31	1.0	1.1	13.5	20.5	13.8
MGS 5YR	3.791	3.50	29	3.2	4.0	21.4	24.0	22.0
MGS 7YR	3.908	3.60	31	2.3	2.7	15.2	17.2	18.6
MGS 10YR	3.986	3.80	19	2.6	2.6	13.6	18.4	25.5
MGS 15YR	4.078	3.90	18	1.2	1.1	10.3	8.6	8.7
MGS 20YR	4.185	4.05	14	1.0	1.4	11.8	8.7	8.3
MGS 30YR	4.274	4.13	14	2.1	3.8	8.5	4.8	2.7
AAA 3YR	3.846	3.90	-5	0.0	3.4	4.8	0.9	-0.5
AAA 10YR	4.143	4.40	-26	0.0	3.0	7.4	-0.2	-3.8
AAA 15YR	4.250	4.55	-30	0.0	3.1	7.8	-4.1	-8.5
AA 3YR	4.014	4.10	-9	0.0	2.9	5.3	-2.3	-2.6
AA 10YR	4.334	4.60	-27	0.0	2.1	5.6	-2.9	-7.9
AA 15YR	4.486	4.75	-26	0.0	0.6	4.4	-9.4	-12.7
A 3YR	5.057	5.05	1	0.0	1.5	4.1	-14.6	-18.1
A 10YR	5.836	6.26	-42	0.0	1.4	4.5	-11.6	-22.4
A 15YR	6.224	6.78	-56	0.0	1.0	2.4	-20.2	-27.9

Source: BNM, Bloomberg, RHB Economics & Market Strategy

26 April 2024

## Daily Top 10 Trade (Previous Trading Day)

## Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
GII MURABAH 3/2016 4.070% 30.09.2026	620	3.598	3.507	9
MGS 2/2019 3.885% 15.08.2029	496	3.804	3.754	5
GII MURABAH 2/2024 3.804% 08.10.2031	250	3.902	3.865	4
MGS 5/2013 3.733% 15.06.2028	231	3.785	3.722	6
MGS 3/2017 4.762% 07.04.2037	152	4.109	4.090	2
GII MURABAH 1/2019 4.130% 09.07.2029	120	3.806	3.754	5
MGS 2/2023 3.519% 20.04.2028	90	3.765	3.710	6
MGS 3/2018 4.642% 07.11.2033	84	3.987	3.970	2
MGS 3/2010 4.498% 15.04.2030	82	3.919	3.854	6
GII MURABAH 1/2022 4.193% 07.10.2032	80	3.954	3.947	1

## Quasi-Government Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
DANAINFRA IMTN 4.950% 06.04.2040 - Tranche No 35	100	4.129	4.029	10
LPPSA IMTN 4.250% 06.07.2039 - Tranche No 77	100	4.111	4.020	9
LPPSA IMTN 4.580% 11.04.2039 - Tranche No 31	60	4.105	4.208	-10
PRASARANA IMTN 4.590% 29.08.2042 (Series 11)	60	4.190	4.086	10
DANAINFRA IMTN 4.340% 10.11.2036	50	4.067	4.018	5
PLUS BERHAD IMTN 4.954% 12.01.2037 - Sukuk PLUS T28	40	4.068	4.068	0
DANAINFRA IMTN 4.560% 04.05.2046 - Tranche No 111	30	4.264	4.145	12
LPPSA IMTN 4.460% 25.08.2038 - Tranche No 69	30	4.095	3.999	10
BPMB IMTN 4.75% 04.11.2031 - Issue No 8	20	4.089	3.978	11
CAGAMAS IMTN 3.770% 13.02.2025	20	3.597	3.720	-12

## Corporate Bonds

Name	Traded Amount (MYR 'm)	Last Traded Yield	Previous Traded Yield	Δ Bps
PSEP IMTN 5.080% 11.11.2027 (Tr2 Sr1)	40	3.804	3.797	1
GLT12 IMTN 4.400% 11.10.2028 (Sr2-Tr2)	30	3.977	3.938	4
MMC CORP IMTN 5.700% 24.03.2028	30	4.100	3.988	11
JOHORCORP IMTN 4.800% 06.07.2038	20	4.199	4.109	9
KLK IMTN 3.95% 27.09.2034 - Tranche 2	20	4.048	4.079	-3
KLK IMTN 4.550% 16.03.2037	20	4.099	3.999	10
LDF3 IMTN 5.950% 23.08.2034	20	4.899	4.903	0
TPSB IMTN 3.930% 19.11.2024 - Tranche No 2	20	3.524	3.591	-7
PONSB IMTN 5.310% 29.06.2029 - Series 2 Tranche 2	10	4.089	4.088	0
TENAGA IMTN 27.08.2038	10	4.060	4.090	-3

Source: BPAM, RHB Economic &amp; Market Strategy

26 April 2024

## RHB Credit Strategy Rating Definitions

Recommendation	Time Horizon	Definition
Outperform	6 to 12 months	A corporate bond's expected relative performance versus a defined reference (i.e. AA3 peers or a corporate bond index)
Market perform	6 to 12 months	
Underperform	6 to 12 months	
Speculative	Indefinitely	The bond's repayment ability is highly uncertain
Not Rated (NR)	Indefinitely	Not under coverage

## Disclaimer Economics and Market Strategy

This report is prepared for information purposes only by the Economics and Market Strategy division within RHB Bank Berhad and/or its subsidiaries, related companies and affiliates, as applicable ("RHB").

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness.

Neither this report, nor any opinion expressed herein, should be construed as an offer to sell or a solicitation of an offer to acquire any securities or financial instruments mentioned herein. RHB (including its officers, directors, associates, connected parties, and/or employees) accepts no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without prior consent of RHB and RHB (including its officers, directors, associates, connected parties, and/or employees) accepts no liability whatsoever for the actions of third parties in this respect.

Recipients are reminded that the financial circumstances surrounding any company or any market covered in the reports may change since the time of their publication. The contents of this report are also subject to change without any notification.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

RHB (including its respective directors, associates, connected parties and/or employees) may own or have positions in securities or financial instruments of the company(ies) covered in this research report or any securities or financial instruments related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities or financial instruments. Further, RHB does and seeks to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities or financial instruments of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such banking, advisory or other services from any entity mentioned in this research report.

RHB (including its respective directors, associates, connected parties and/or employees) do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.



## KUALA LUMPUR

**RHB Investment Bank Bhd**  
Level 3A, Tower One, RHB Centre  
Jalan Tun Razak  
Kuala Lumpur 50400  
Malaysia  
Tel : +603 9280 8888  
Fax : +603 9200 2216

## JAKARTA

**PT RHB Sekuritas Indonesia**  
Revenue Tower, 11th Floor, District 8 - SCBD  
Jl. Jendral Sudirman Kav 52-53  
Jakarta 12190  
Indonesia  
Tel : +6221 509 39 888  
Fax : +6221 509 39 777

## SINGAPORE

**RHB Bank Berhad (Singapore branch)**  
90 Cecil Street  
#04-00 RHB Bank Building  
Singapore 069531

## BANGKOK

**RHB Securities (Thailand) PCL**  
10th Floor, Sathorn Square Office Tower  
98, North Sathorn Road, Silom  
Bangrak, Bangkok 10500  
Thailand  
Tel: +66 2088 9999  
Fax :+66 2088 9799